



February 5, 2019

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW
Suite 3E-218
Washington, DC 20219

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Real Estate Appraisals (Docket ID OCC-2018-0038; Docket No. R-1639 and RIN 7100-AF30; RIN 3064-AE87)

Dear Ladies and Gentlemen:

I am writing on behalf of the Louisiana Bankers Association (LBA), which represents 125 member institutions operating in Louisiana. Thank you for the opportunity to comment on this recent proposed rulemaking from the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (hereafter referred to as the “agencies”).

The proposed rulemaking would increase the threshold level at or below which appraisals would not be required for residential real estate-related transactions from \$250,000 to \$400,000. The proposal would continue to require evaluations that are consistent with safe and sound business practices for transactions exempted by the increased threshold.

LBA strongly supports the proposed rulemaking and appreciates the agencies’ rationale in determining that an increased threshold is necessary. LBA agrees with the agencies’ assessment that the proposed increase to the appraisal threshold would reduce burden in a manner that is consistent with federal public policy interests in real estate-related transactions and the safety and soundness of regulated institutions. LBA also agrees that the cost and time of obtaining an appraisal can result in delays and higher expense for both regulated institutions and consumers.

The increasing difficulty in finding qualified real estate appraisers in rural areas further exacerbates the problem for many small lenders and their customers.

LBA further recognizes the thoughtful analysis and use of data contained in the proposed rule. Specifically, the use of the Case-Schiller Index, Federal Housing Finance Agency Index, and Consumer Price Index show how the prices for residential real estate have significantly increased since 1994, which was when the current appraisal threshold of \$250,000 was set. The above-mentioned house price indices factor in inflation adjustments on the \$250,000 threshold since 1994. This data presents a strong case for raising the threshold to at least \$400,000, as all three house price indices reflect inflation-adjusted prices in 2018 that exceed \$400,000. In the case of the Case-Shiller and FHFA indices, the 2018 inflation-adjusted amounts significantly exceed the proposed \$400,000 threshold.

It is also worth pointing out that this proposed rulemaking is likely to only affect those mortgage loans retained in a bank's portfolio. The proposed rulemaking does not affect certain appraisal requirements for loans that are originated and sold into the secondary market, which represent the bulk of residential mortgage transactions. Commentary in the proposed rulemaking provides the following:

“The agencies estimate that approximately 91 percent of all mortgages originated in the United States are not subject to the agencies' appraisal requirement due to their not being originated by regulated institutions, being sold to the GSEs or otherwise insured or guaranteed by a U.S. government agency, or having transaction amounts at or below the current \$250,000 threshold.”

The agencies also estimate that this proposed change to the appraisal threshold affects only 3 percent of all first-lien, single-family mortgage transactions in the United States, based on 2017 HMDA data. We believe this further illustrates that this proposed rulemaking is geared towards providing targeted relief to community banks and their customers, especially those in rural areas.

In closing, LBA strongly supports the proposed rulemaking. Thank you for considering our comments on this important subject. If you have any questions, please feel free to contact me at (225) 214-4837 or gendron@lba.org.

Sincerely,



Joe Gendron
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